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**RECEIVED**

**MAY 25 1999**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington DC 20554

May 25, 1999

Re: In the Matter of Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No, 98-147

Dear Ms. Salas:

On May 19 and 20, 1999, Michael Olsen, Deputy General Counsel for NorthPoint Communications, Inc., and Ruth Milkman, The Lawler Group, counsel to NorthPoint, met with Commission staff regarding NorthPoint's views on the application of Section 251(c)(4) to DSL services. In meetings with Sarah Whitesell, Kevin Martin, Kyle Dixon, and Linda Kinney, NorthPoint expressed the views contained in the attached presentation. NorthPoint also attended a meeting with Larry Strickling, Michael Pryor, Carol Matthey, Staci Pies, Bill Rogerson, Bob Atkinson, Jane Jackson, Jason Oxman, Margaret Egler, Tom Power, Linda Kinney, Stagg Newman, Jordan Goldstein, and Douglas Sicker, along with representatives of Bell Atlantic, AOL, the Telecommunications Resellers Association, and BellSouth. In that meeting, NorthPoint expressed the view that Section 251(c)(4) applies to DSL services, regardless of whether they are subject to a volume discount, but that there might well be no avoided costs with respect to the volume discount offering, so that the wholesale discount on that offering would be 0%.

Sincerely,



Ruth Milkman

cc: Staci Pies

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# DSL Pricing and Residential Service Competition



**NorthPoint**

Federal Communications  
Commission  
May 18, 1999

# NorthPoint poised to offer residential DSL broadly

- NorthPoint has substantial investment in hundreds of central offices
- NorthPoint's "footprint" capable of serving more than 20,000,000 American residences by 3Q99
- NorthPoint strategic partners focused primarily on serving residential end users
  - Microsoft
  - Tandy / Radio Shack



# ILEC DSL price squeeze blocks residential DSL competition

- ILECs are providing shared-line DSL to residential users below the cost of CLEC inputs (loops, collocation), making residential competition impracticable now
- Data CLECs cannot match ILEC DSL prices
- Result: Residential consumers get no choice for DSL services



# ILEC DSL Price Squeeze Remains Significant

- Recent ILEC DSL pricing announcements
  - US West announced lower priced \$29 residential DSL
  - BA "volume" priced \$29 DSL
- CLECs' costs remain prohibitively high for residential service
  - DSL capable loops range from \$20 - \$40
  - Non-recurring "conditioning charges" range from \$500 to \$1500 per line
  - Collocation, cross-connect, transport, and related ILEC imposed costs remain high, increase CLEC costs and impede residential, facilities-based DSL competition



# Price Squeeze: Solutions

- There remain 4 solutions to the price squeeze:
  - Implement line sharing to lower CLEC loop costs
  - Require ILEC affiliate to provide DSL from separate subsidiary
  - Require imputation of costs in DSL product
  - Review UNE and collocation prices



# Conclusion

- DSL cost and price issues are interrelated (loop costs, line sharing, separate subsidiary, DSL tariffs and discounts)
- Commission should address these issues in unified proceeding to avoid undesired consequences
- Commission should not promulgate resale rules until it addresses related cost and pricing issues

